

## XIV. Mexico: Between the So-Called “Fourth Transformation” and Protecting Livelihoods in the COVID-19 Crisis

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### *1. Introduction*

The health emergency caused by the SARS-CoV-2 / COVID-19 virus (COVID-19) has revealed that health systems in all countries around the world were not prepared to face a challenge of this magnitude. Likewise, several things became evident: the difficulty for many people to access social insurance in the social security systems of their respective states and the clear importance of formal and informal workers to have access to social insurance, not only for the purposes of receiving medical care, but also for obtaining economic wage replacement benefits (e.g., unemployment benefits or pensions).

In addition to the above, the measures implemented by the federal government and most state governments in Mexico are often torn between the goals of the “Fourth Transformation” and the needs of the population as they face this crisis. On taking office, Andrés Manuel López Obrador, the current president of Mexico, called the transition to a new administration (including changes in the institutional and legislative framework) “the Fourth Transformation”.<sup>1</sup> As a result, every single measure to respond to the COVID-19 crisis has been conceived from that perspective.

Overall, it can be said that, on the one hand, the lack of leadership that led to an almost non-existent labour and social security policy for the benefit of workers and their families, as well as the lack of support to employers, is unfortunately evident.

On the other hand, the administration strengthened its delivery of economic resources through the assistance programmes established before the pandemic, which are vital for the subsistence of millions of Mexicans. It also pushed for changes in the health sector to achieve universal health

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1 According to his speech, the three previous transformations in Mexico were Independence (1810-1821), the Reform (the war between liberals and conservatives from 1858 to 1861), and the Revolution (1910-1917).

coverage in the event of infection with the virus. This is a daunting challenge for Mexico since it has an insured population of 81.3 million people,<sup>2</sup> while 48.8 million only receive health benefits through social assistance.<sup>3</sup> Nonetheless, by the end of October 2021 (counting the period from March 2020 to October 2021) the country had officially lost 282,227<sup>4</sup> inhabitants to COVID-19 and its rate of infection was 1,186 per 100,000 inhabitants.<sup>5</sup>

Following the declaration of the pandemic by the World Health Organization (WHO), the Mexican General Health Council issued the “Agreement declaring the epidemic of the disease caused by the SARS-CoV 2 virus (COVID-19) as a health emergency due to force majeure,”<sup>6</sup> where measures like social distancing were established through sheltering people in their homes. One of the purposes of this agreement was to shut down all activities in the country that were not considered essential in order to prevent contagion among people who went to workplaces, businesses, schools, or other places where, due to their very nature, crowds of people could lead to mass infections.

On 23 April 2020, a Presidential Decree<sup>7</sup> established the austerity measures to be observed by agencies and entities of the Federal Public Administration, among which it was determined to postpone and suspend any type of government actions and expenses, except social programmes involving cash transfers, as well as the implementation of actions deemed priorities for the government, such as: the creation of the National Guard, the development on the Isthmus of Tehuantepec; the strengthening of the free zone along the northern border; oil production, Internet for all and the defence of human rights. Also included “as a priority” were the administration’s construction projects: the General Felipe Ángeles Airport;

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2 Presidencia de la República, [Segundo Informe de Gobierno 2020](#), Gobierno de México, Mexico, 2020, p. 241, accessed on 7 January 2021.

3 Ibidem, p. 242.

4 [Expansión, Datos Macro, México-COVID-19-Crisis del coronavirus](#), accessed on 12 October de 2021.

5 Gobierno de México, Covid-19 México, Gobierno de México, Mexico, 2021, at: <https://datos.covid-19.conacyt.mx/>, accessed on 7 January 2021.

6 Secretaría de Gobernación, [Acuerdo por el que se declara como emergencia sanitaria por causa de fuerza mayor, a la epidemia de enfermedad generada por el virus SARS-CoV2 \(COVID-19\)](#), DOF, Mexico, 2020, s. p., accessed on 17 April 2020.

7 Secretaría de Gobernación, Diario Oficial de la Federación, 23/02/2020, [Decreto por el que se establecen las medidas de austeridad que deberán observar las dependencias y entidades de la Administración Pública Federal bajo los criterios que en el mismo se indican](#), accessed on 21 October 2021.

the refurbishment of six oil refineries; the construction of the Dos Bocas Oil Refinery; the retrofitting of power plants and hydroelectric plants to generate electricity; highway maintenance and conservation; the Mexico City three-airport system; the Mexico City-Toluca Intercity Train; the completion of dams and canals; the Texcoco Lake Ecological Park; the Urban Improvement Programme; the National Reconstruction Programme; the Mayan Train; and the Guadalajara Train. Each of these are among the objectives of the Fourth Transformation.

The declaration is still in effect and evolved into an epidemiological traffic light system, which determines the activities that can be carried out in each state. This has produced serious consequences as in the field of education, for example, where in-person school activities were suspended from March 2020 to August 2021 but have yet (October 2021) to be fully re-established.

The pandemic exposed deficiencies in all social security systems around the world, but in Mexico, the pre-existing conditions made it more difficult to meet health, economic and labour needs. The level of poverty and extreme poverty in the country is high. The latest report released by the National Council for the Evaluation of Social Development Policy, with data from 2020, states that Mexico had 55.7 million people living in poverty, representing 43.9% of the total Mexican population. It also reported that 10.8 million people (8.5% of the total population) lived in extreme poverty,<sup>8</sup> which means they do not have the resources to buy the basic foodstuffs a person needs.

Informal employment is widespread in the country. According to data provided by the National Survey of Occupation and Employment in the fourth quarter of 2021, informal work in Mexico reached 59% of employed persons,<sup>9</sup> i.e., 57.7 million people. This means that more than half of the employed people in Mexico depend on day-to-day activities to earn income. This suggests that this social group did not have the choice of staying at home to protect themselves from the COVID-19 virus since they do not receive a fixed income, lack social security and do not have guaranteed health care.

Another important factor worth mentioning is the survival of micro-, small and medium-sized enterprises (MSMEs) as in Mexico micro-enter-

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8 Consejo Nacional de Evaluación de la Política de Desarrollo Social, [Medición de la pobreza](#), CONEVAL, 2020, Mexico, s. p., accessed on 13 October 2021.

9 Instituto Nacional de Estadística y Geografía, INEGI, [Resultados de la encuesta nacional de ocupación y empleo, nueva edición, cifras durante el segundo trimestre de 2021](#), accessed on 21 October 2021.

prises<sup>10</sup> account for 97.3% while only 2.7% correspond to small and medium-sized Enterprises.<sup>11</sup> Therefore, the closure of businesses and the subsequent termination of their workers due to this health emergency was imminent, especially if taking into consideration that these companies cannot survive without constant production and can even less afford to pay their workers' wages without it.

The implications of the temporary closure of sources of non-essential work, as well as generalised sheltering, had a strong impact, but the above-mentioned conditions of micro-enterprises, informal workers and extreme poverty made it very difficult to apply legal measures and even impossible to shut down activities in the informal economy.

It is worth noting that Mexico is a federal republic made up of 32 federal entities (states), which are in turn made up of municipalities. It is organised into three branches of government (legislative, executive and judicial) and three levels of government (federal, state and municipal).

This division became very apparent in the measures put in place by the different levels of government. While the federal government introduced very few measures, state governments strove to respond to the crisis caused by the pandemic. These measures depended on the resources of each state, and therefore the governments of poorer states have suffered more from the effects of the pandemic.

Table 1 briefly outlines the measures that have been implemented and that will be discussed in more detail later.

*Table 1 Economic measures implemented by state governments*

| State               | Aid and subsidies to guarantee family income | Aid and subsidies to compensate for damage to companies | Aid and subsidies for job protection |
|---------------------|----------------------------------------------|---------------------------------------------------------|--------------------------------------|
| Aguascalientes      | X                                            | X                                                       | X                                    |
| Baja California Sur |                                              |                                                         | X                                    |
| Campeche            |                                              | X                                                       | X                                    |
| CDMX                | X                                            |                                                         | X                                    |

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- 10 Micro-enterprises are businesses with less than 10 workers, generate annual sales of up to \$4 million Mexican pesos and represent 40% of employment in the country. In addition, they produce 15% of the Gross National Product, Secretaría de Economía, México emprende, [Microempresas](#), accessed on 21 October 2021.
- 11 Instituto Nacional de Estadística y Geografía, [INEGI presenta resultados de la encuesta nacional sobre productividad y competitividad de las micro, pequeñas y medianas empresas \(ENAPROCE\) 2018](#), INEGI, Mexico, 2019, accessed on 17 April 2021.

| State           | Aid and subsidies to guarantee family income | Aid and subsidies to compensate for damage to companies | Aid and subsidies for job protection |
|-----------------|----------------------------------------------|---------------------------------------------------------|--------------------------------------|
| Chiapas         |                                              |                                                         | X                                    |
| Chihuahua       | X                                            | X                                                       | X                                    |
| Coahuila        |                                              | X                                                       | X                                    |
| Colima          |                                              |                                                         | X                                    |
| Durango         |                                              | X                                                       | X                                    |
| Mexico State    | X                                            | X                                                       | X                                    |
| Guanajuato      |                                              |                                                         | X                                    |
| Guerrero        |                                              | X                                                       | X                                    |
| Hidalgo         | X                                            | X                                                       | X                                    |
| Jalisco         |                                              | X                                                       | X                                    |
| Michoacán       |                                              | X                                                       | X                                    |
| Morelos         |                                              | X                                                       |                                      |
| Nayarit         |                                              | X                                                       | X                                    |
| Nuevo León      |                                              | X                                                       | X                                    |
| Oaxaca          |                                              | X                                                       | X                                    |
| Puebla          |                                              | X                                                       | X                                    |
| Querétaro       | X                                            |                                                         | X                                    |
| Quintana Roo    |                                              |                                                         | X                                    |
| San Luis Potosí |                                              | X                                                       | X                                    |
| Sinaloa         |                                              | X                                                       |                                      |
| Sonora          | X                                            |                                                         |                                      |
| Tlaxcala        |                                              |                                                         | X                                    |
| Veracruz        |                                              |                                                         | X                                    |
| Yucatán         | X                                            | X                                                       | X                                    |
| Zacatecas       | X                                            |                                                         | X                                    |

Source: Created by the author based on data from the Laboratorio de Nacional de Políticas Públicas of the CIDE, *Medidas Económicas Covid-19*<sup>12</sup>.

From the above, it can be said that 30 out of the 32 Mexican states offered aid and subsidies to protect workers' jobs, 18 states endeavoured to offer some type of aid to companies in an attempt to compensate for the damage caused by the pandemic, and only some of them were able to provide direct support to families to ensure them a regular income, thus helping

12 Centro de Investigación y Docencia Económicas (CIDE), Laboratorio Nacional de Políticas Públicas, *Medidas Económicas Covid-19*, accessed on 25 October 2021.

those who were left without jobs or who depended on economic activities that, due to the emergency, were suspended.

## 2. *Job Retention*

During the pandemic, one would have expected governments to implement a clear labour market policy whereby job security and guaranteed wages interact for the benefit of workers and as a measure of economic stability. However, this did not happen in Mexico. The federal government did not establish measures to guarantee wages, although some state governments provided aid during the health emergency.<sup>13</sup>

It should be clarified that labour laws fall under federal competence (Constitutional Article 123); therefore, it was in the hands of the federation to make any changes regarding labour that might stem from the pandemic. This was also the case for health reforms, which were coordinated by the federation, from the Federal Executive and through the Ministry of Health.<sup>14</sup>

For instance, Mexico City, Quintana Roo, Yucatán, Mexico State and Querétaro, among others,<sup>15</sup> gave income support to families or workers between the ages of 16 and 65, to both salaried and non-salaried workers. In other cases, a COVID-19 medical kit and food support, among other things, was distributed.

For example, in order to provide support to workers between 16 and 68 years of age who were affected by the temporary closure and in some cases the definitive loss of their sources of work because of the health emergency, the Mexico City government launched the “Social Action of Emerging Support” program. Those who carry out activities in restaurants, banquet halls and food establishments; construction workers, musicians, urban artists, mariachis and actors; and people who work in other types of similar activities were asked to register on the program’s electronic portal

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13 In this regard, it should be clarified that the Mexican constitution establishes a federal government, in which the federation, states and municipalities have different competencies. Articles 117, 118 and 124 stipulate the limits on the exclusive competencies of the federal government and also specify the competencies that are reserved to the states. Some powers overlap, such as those exercised simultaneously by both the Federation and the states, as in the case of health, education and public safety, among others.

14 Article 13 General Health Law.

15 [Entidades Federativas. Medidas Económicas](#), accessed on 27 September 2021.

to be able to participate in this programme. Between April and August 2020, or until the allocated budget is depleted, financial support in the amount of 75 USD a month was granted for a period of two months. The benefit was limited to people who reside or work in Mexico City and whose income was affected or reduced by the health measures adopted to prevent the spread of the virus.

It should be pointed out that the measures implemented by the Mexican federal government were limited to providing safety for workers in the performance of their jobs, which is why it began to be known as a “health emergency”.

On 30 March 2020, an agreement issued by the General Health Council was published, declaring the epidemic of the disease caused by the COVID-19 virus as a health emergency due to force majeure, which gave rise to legal uncertainty in labour issues. This is due to the fact that Federal Labour Law Articles 42 bis, 427 Section VII and 429 Section IV regarding the suspension of labour relations do not contemplate the case of a health emergency, but a declaration of health contingency, which has different legal consequences.

This had the negative effect of preventing employers from legally suspending labour relations with their employees, which led to an increase in dismissals and other irregular measures (unpaid vacations, wage reductions, etc.).

The only labour-related legislative measure so far has been the labour reform<sup>16</sup> defining telework as a *form of subordinated labour organisation* which consists of performing paid activities in places other than the employer’s establishment. This modality does not require the physical presence of the employee at the workplace, as it primarily uses information and communication technologies for contact with the employer and therefore grants the same rights and obligations as those of employees working on site in person.

The other measures can be briefly presented by issuing government institution:

- Ministry of Labour and Social Welfare. On 1 April 2020, the Ministry issued the Guidelines to Implement Telework at Workplaces within

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16 Art. 330-A de la Ley Federal del Trabajo, [Decreto por el cual se reforma el artículo 311 y se adiciona el capítulo XII bis de la Ley Federal del Trabajo, en materia de teletrabajo](#), del 11 de enero de 2021, accessed on 29 September 2021.

the Framework of Actions to Face COVID-19.<sup>17</sup> This informative guide establishes the process for implementing telework under a series of aspects to be considered, such as: performing a diagnosis by the companies, communication, training and work tools, monitoring schedules and assessments. This measure is more comprehensive than the legislative reform, but since it is not legislative in nature, it is not mandatory. An Action Plan for Workplaces in the COVID-19 Crisis<sup>18</sup> was also published with a view to compiling a classification of risks to workers by occupation or condition of vulnerability, as well as a series of practical recommendations for planning, training, prevention, protection and monitoring.

- The Mexican Social Security Institute (IMSS) has included criteria to consider COVID-19 an occupational illness in order to adequately establish the cause-effect relationship for workers diagnosed with the infection. In the case of front-line workers, it implies that once the illness is confirmed, the worker will receive 100% of their base pay for the duration of their sick leave.<sup>19</sup> A Health Safety Protocol for Companies was also created for the purpose of providing information on measures to prevent the spread of infection at the workplace through sanitising, hygiene and social distancing.<sup>20</sup>
- The Federal Labour Protection Agency (PROFEDET) created a digital tool called COVID-19 Digital Protection Agency for Workers to provide workers with assistance and support in cases of temporary dismissal without pay due to the pandemic.<sup>21</sup>
- The Ministry of the Interior issued a Manual of Specific Technical Guidelines for the Reopening of Economic Activities, which contains specific measures that must be implemented within the framework of the “new normal” strategy, including health promotion and protection,

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17 Secretaría de Trabajo y Previsión Social, [Guía para implementar el teletrabajo en los centros de trabajo en el marco de las acciones para enfrentar el COVID-19](#), STPS, Mexico, 2020, accessed on 27 September 2021.

18 Idem.

19 Instituto Mexicano del Seguro Social, [Criterios de calificación para casos de CORONAVIRUS \(COVID 19\) como enfermedad de trabajo](#), accessed on 29 September 2021.

20 Gobierno de México, [Lineamientos técnicos de Seguridad Sanitaria en el entorno laboral](#), accessed on 20 September 2021.

21 [Procuraduría Federal de la Defensa del Trabajo \(PROFEDET\)](#), accessed on 29 September 2021.

social distancing, entry and exit control, infection prevention measures in companies and the use of personal protection equipment.<sup>22</sup>

The protection provided by these measures has been limited, which is why the involvement of judges has been very active in this regard. For instance, the collegiate courts have issued case law by the reiteration of criteria<sup>23</sup> to the effect that the state, as the employer in public health care institutions, must guarantee the appropriate and necessary measures to health care personnel who work in hospitals and are exposed to the COVID-19 virus so as not to endanger their lives in the performance of their duties.

This case law emerges from the fact that IMSS health care workers have filed several *amparo* proceedings<sup>24 25</sup> against the Institute for its refusing to provide them with sufficient and quality medical equipment to perform their work and safely treat patients arriving at the hospital with symptoms of or infection with the COVID-19 virus, given that the Social Security Institute did not have the necessary supplies to protect its workers from exposure to the virus.

Lastly, it should be noted that Mexico has introduced very few job protection measures, having implemented only two of the eight measures recommended by the Economic Commission for Latin America and the Caribbean (ECLAC), namely: remote work (teleworking) and the prohibition of layoffs, with no tax exemptions for companies or direct wage subsidies.<sup>26</sup>

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22 Secretaría de Gobernación, [Lineamientos Técnicos específicos para la reapertura de las actividades económicas](#), accessed 29 September 2021.

23 Tesis: XVII.1o.P.A. J/31 K (10a.), *Semanario Judicial de la Federación y su Gaceta*, Décima época, Tribunales Colegiados de Circuito, octubre, 2020, Virus Sars-Cov2 (Covid-19), al constituir su brote una emergencia de salud pública de importancia internacional amerita el establecimiento de medidas preventivas urgentes para la protección del personal que presta sus servicios en los hospitales públicos y está expuesto al contagio.

24 Amparo proceedings or trial: Articles 103 and 107 of the Constitution define this as a procedural means in the Mexican legal system specifically used to protect the human rights established in the Constitution and in international treaties to which Mexico is party from any act of any national authority when these authorities violate said fundamental rights and their guarantees.

25 Queja 79/2020, Queja 80/2020, Queja 82/2020, Queja 87/2020, Queja 107/2020 presentada en el Primer Tribunal Colegiado en Materias Penal y Administrativa del Décimo Séptimo Circuito.

26 Comisión Económica para América y el Caribe, [Estudio Económico para América y el Caribe. Dinámica Laboral y Políticas de Empleo para una recuperación sostenible e inclusiva más allá de la crisis del COVID-19](#), accessed on 29 September 2021.

### 3. *Supporting the Economy*

To counter the effects of the health crisis, the Mexican government has used two economic strategies: The first focuses on the measures contained in the 2019-2024 National Development Plan (NDP), adapted to the emergency situation by means of the Economic Reactivation Plan, and the second establishes measures through circulars and agreements,<sup>27</sup> published on the official websites of the Bank of Mexico (Banxico), the Ministry of Finance and Public Credit (SHCP).

State governments played a decisive role in implementing the agreed and authorised economic measures to bolster the Mexican economy in the face of the effects of the health emergency.

#### *a) Measures Contemplated in the 2019-2024 National Development Plan Adapted to the Emergency Situation through the Economic Reactivation Plan (ERP)*

One of the proposals made in the NDP was to trigger growth through the so-called “welfare economy”, the premise of which is “for the good of all, the needs of the weakest and most underprivileged members must be given first priority,” proposing on the one hand, economic growth with austerity and without corruption, and on the other hand, putting an end to indebtedness.

Thus, the ERP emphasises welfare economics and has produced the following measures:

aa) The coverage and amount of some of the financial benefits provided by social programmes (to be analysed in the corresponding section) were increased. It should be noted that the only social assistance protection measure introduced as a result of the pandemic was the now defunct Financial Support Programme for Family Micro-Enterprises (*Crédito a la Palabra*, literally “Your Word”). This programme granted family businesses

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27 Agreements are executive acts issued by a collegiate body of officials and issued in this particular case by the Ministry of Finance and Public Credit. Circulars consist of issuing written orders or instructions and are essentially administrative acts through which senior government agencies interpret the meaning of legal provisions in specific cases, as in the case of those issued by Banxico. In both cases, they must be published in the Federal Official Gazette for their validity to be acknowledged and for them to become effective. Each agreement or circular determines the form and date on which they enter into effect.

a loan so that their businesses could stay afloat during the months of the emergency. The loan amount was \$1,200 USD to be paid over 3 years at a low interest rate.<sup>28</sup> This programme benefited 53,524 people or companies. In this sense, it was a programme designed to address the problem of low income arising from the pandemic.<sup>29</sup>

bb) Regional projects and infrastructure works (mentioned above) such as the Santa Lucía Airport, the refurbishment of the six oil refineries included in the National Refinery Plan (Salamanca, Minatitlán, Madero, Cadereyta, Salina Cruz and Tula), the construction of the Dos Bocas Refinery in Tabasco, energy generation projects, the modernisation of the railroads and ports in the Isthmus of Oaxaca, and the Mayan Train project, were maintained as priorities.

cc) In economic matters, the ERP decided to postpone and suspend any type of government actions and expenditures that were not essential. This idea and the need of financing for the ERP resulted in the closing<sup>30</sup> of 109 public trusts related to health, sports, science, technology, environment, civil protection, culture and cinematography, among others, which has increased polarisation within Mexican society, as assistance to the poor was targeted on the one hand and resources for the already reduced middle class were cut on the other.

Financing for the ERP comes from the Budgetary Revenue Stabilisation Fund, from the resources obtained from the closed trusts, from the Development Bank and, lastly, from the sale of the goods seized by the Institute to Return to the People what was Stolen, another presidential campaign measure, established in the NDP and reinforced in the ERP.

This means that additional resources are not being allocated to respond to the crisis caused by the pandemic but are being redirected to other areas. However, these decisions, along with those taken before the pandemic, such as the cancellation of projects like the Mexico City Airport and the Constellation Brands brewery in Mexicali, Baja California, have sparked uncertainty for foreign investors.<sup>31</sup> As a result, foreign investment

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28 Gobierno de México, [Programa Crédito a la Palabra](#), Gobierno de México, México, 2020, accessed on 7 September 2021.

29 Gobierno de México, Op. cit, p. 411.

30 Cámara de Diputados, [Nota No. 7410](#), Publica DOF decreto que extingue 109 fideicomisos, accessed on 20 September 2021.

31 Cota, Isabella, “[La economía mexicana se desploma un 17,3% en el segundo trimestre de 2020, la peor caída de su historia](#)”, El País, 30 July 2020, accessed on 24 September 2021.

in Mexico<sup>32</sup> fell by 11.7% and has also caused a contraction in the GDP, going from \$1.222 billion USD in 2018 to \$1.076 billion USD in 2020.<sup>33</sup>

The lack of additional economic stimulus led to a 16% decline in consumption during the second and third quarters of 2020, with no significant recovery so far.

Lastly, the austerity policy proposed in the NDP permeates the ERP, so that by using the pandemic as a justification (23 March 2020), the closure of half of the government offices was decreed in an effort to save on the rental of the real estate used for such activities, ordering the relocation of public servants considering the type of activity.<sup>34</sup>

As a result of these actions, according to data from the Ministry of Public Administration, as of September 2020, savings of close to \$27 billion USD had been achieved, making it possible to better respond to the COVID-19 pandemic.<sup>35</sup>

Based on the above, it can be said that the decisions and proposals made by the Federal Executive did not provide concrete or extraordinary actions to reduce the economic effects taking place around the world as a result of the health emergency.

dd) Lastly, it is worth noting an increase in a measure that, although not linked to the pandemic (because it had been proposed during the presidential campaign of the current president), has undoubtedly had a positive effect on the country's economy during this period of COVID-19. This is the annual increase of the general daily minimum wage (8 hours

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32 Expansión, [10 golpes que el COVID dio a la economía mexicana durante 2020](#), 28 February 2021, accessed on 20 September 2021.

33 Banco Mundial, [PIB \(US\\$ precios actuales\)- México](#), datos sobre las cuentas nacionales del Banco Mundial y archivos de datos sobre cuentas nacionales de la OCDE, accessed on 13 October 2021.

34 Secretaría de Gobernación, Diario Oficial de la Federación, 23/02/2020, [Decreto por el que se establecen las medidas de austeridad que deberán observar las dependencias y entidades de la Administración Pública Federal bajo los criterios que en el mismo se indican](#), accessed on 20 September 2021.

35 La Jornada, [SFP reporta ahorro de 560 mmdp con Política de Austeridad Republicana](#), 23 September 2020, accessed on 24 September 2021.

of work), going from \$102.68 pesos<sup>36</sup> (\$5.04 USD)<sup>37</sup> in 2019 to \$123.22 pesos<sup>38</sup> (\$6.05 USD) in 2020 and to \$141.70 pesos<sup>39</sup> (\$6.95 USD) in 2021.

*b) Measures from the Bank of Mexico, the Ministry of Finance and Public Credit and State Governments*

Between March and April 2020,<sup>40</sup> Banxico enacted a series of monetary and financial policy decisions through various circulars in an attempt to counteract the increased volatility and deterioration of the operating conditions on the financial markets. Notably among these are the measures to strengthen credit channels:

- Providing banks with resources to extend credit to MSMEs and individuals.
- Guaranteed funding opportunities for commercial banks to receive corporate loans to finance MSMEs.

In order to keep MSMEs running and generating jobs and consumption, one of the first actions taken was to reduce the target for the Overnight Interbank Interest Rate by 50 basis points (bps) to 6.50%. This decision was consistent with the international scenario in which central banks of other countries were making similar decisions.<sup>41</sup>

Also worth mentioning is the measure adopted by the SHCP to authorise individuals who had to file annual returns with the Tax Administra-

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36 Comisión Nacional de los Salarios Mínimos, [Tabla de Salarios Mínimos Generales y Profesionales por Áreas Geográficas](#), CONASAMI, 2020, Mexico, accessed on 12 February 2022.

37 The exchange rate used for this report is \$20.36 Mexican pesos = 1 USD, data from the Bank of Mexico on 13 January 2022, available at: [Banco de México, Tipo de cambio, Mexico](#), Banco de México, 2022, accessed on 13 January 2022.

38 Comisión Nacional de los Salarios Mínimos, [Tabla de Salarios Mínimos Generales y Profesionales por Áreas Geográficas](#), CONASAMI, 2021, Mexico, accessed on 12 February 2022.

39 Idem.

40 These are administrative provisions authorised by the Banxico Board of Governors.

41 Gobierno de México, Gaceta económica, [Covid-19 plantea retos importantes para la política monetaria y la economía en general: Minuta-Banxico](#), 3 April 2020, accessed on 20 September 2021.

tion System (SAT) to extend the deadline for compliance by two months in 2020<sup>42</sup> and 30 days in 2021.<sup>43</sup>

### *c) State Economic Measures*

Lastly, it is important not to forget the subsidies and aid that formed part of the economic policy and were prompted by the state's responsibility to compensate for or mitigate the damage caused by the pandemic. These measures stand out because they were established through state decrees,<sup>44</sup> i.e., an order issued by the state executive branch, published in an official gazette and effective immediately upon publication, for all legal purposes.

Generally speaking, the measures can be classified as follows:

#### *aa) Aid for Rural Farmers*

Emergency programmes were established (only for 2020) to provide financial resources for purchasing seeds, manure, fertilisers, feed and food supplements for livestock and for purchasing inputs and work tools for people engaged in different types of farming activities. Some examples are the Campeche Produce Programme or loans for corn growers in Jalisco. Requirements were also adjusted as in the case of resources for the Yucatán Agricultural and Fishing Loan Fund, which extended its coverage to this sector and made the process to obtain a loan more accessible.

One of the states that allocated the most resources to these programmes was Mexico State, which allotted \$300 million pesos (\$14.734 million USD) for the purchase of inputs, equipment and fertilisers for farmers.

One of the states that implemented a significant number of programmes focused on this sector was Yucatán, giving cash benefits to workers in the fishing sector and farmers for inputs, tools and machinery, as well as for producing, processing, transporting and marketing agricultural,

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42 Secretaría de Gobernación, Diario Oficial de la Federación, [Primera Resolución de Modificaciones a la Resolución Miscelánea Fiscal para 2020](#), 12 May 2020, accessed on 28 September 2021.

43 Expansión, [El SAT da prórroga de un mes para la declaración anual de impuestos](#), el 5 de abril de 2021, accessed on 28 September 2021.

44 Centro de Investigación y Docencia Económicas (CIDE), Laboratorio Nacional de Políticas Públicas, [Medidas Económicas Covid-19](#), accessed on 25 October 2021.

forestry and fishing products; inputs and support for beekeepers, poultry farmers, pig farmers, cattle breeders, and, in general, to small farmers.<sup>45</sup>

*bb) Aid for Entrepreneurs*

Financial loans and economic support were granted to “entrepreneurs”. Some of these consisted of interest-free or low-interest loans with easy-to-meet requirements in order to enable people engaged in independent activities to expand their activities or start their own business. For instance, in Yucatán, loans ranging from \$25,000 pesos (\$1,227 USD) to \$100,000 pesos (\$ 4,911 USD) were granted with repayment terms of up to 24 months; Baja California Sur focused specifically on women entrepreneurs and Sinaloa targeted young people between 18 and 25 years of age.<sup>46</sup>

*cc) Tax Exemptions*

During the early months of the health emergency, states granted tax benefits and incentives applicable to both individuals and companies.

As an initial support, widespread in almost all states, the domiciliary summons for payment, seizures and collections derived from non-payment of taxes or duties were suspended. At the same time, extensions, discounts, waivers, suspension of surcharges and postponements were granted to comply with the obligations for tax, utilities and duty payments.

A second type of economic stimulus was given through support directed at certain sectors important for state economies. For instance, the state of Morelos authorised the deferral of payment on Waterparks and Resort Services tax. Monterrey exempted the payment of payroll tax for companies with between 1 and 10 employees with revenues of less than \$4 million pesos, as well as for those in the restaurant, hotel, casino, gymnasium, theatre, bar, cinema and entertainment sectors. Puebla exempted the payment on gambling and sweepstakes tax, to mention a few.

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45 Yucatán Travel. [Yucatán frente al Covid-19](#), accessed on 15 February 2022.

46 Op. Cit. Centro de Investigación y Docencia Económicas (CIDE).

dd) *Aid for Employers*

In an attempt to ensure that business owners could continue operating and providing jobs to their workers, they were given tax extensions and tax payments were deferred, reduced or suspended.

Social programmes called *Programa de Crédito a la Palabra* [Your Word Programme] were created specifically for micro-entrepreneurs (with 1 to 10 employees in their companies) without access to bank loans with or without a credit history. Temporary employment was provided to the unemployed and financial assistance was extended to workers who could not perform their jobs due to the health emergency (as in the case of supermarket baggers, informal vendors and health personnel).

Some noteworthy examples are:

- (1) Worker protection guidelines. One example is the case of Mexico City<sup>47</sup> with agreements that include health protection measure guidelines that professional, scientific and technical services directly linked to industries operating during the red and orange light alert levels must follow in order to resume activities towards a safe return to the “new normal” and health protection measure guidelines that the corporate office sector must follow in order to resume activities for a safe return to the “new normal”.<sup>48</sup>
- (2) Support to businesses. State governments offered a wide range of measures, such as: programmes were opened to train entrepreneurs in e-commerce, foreign trade and exporting goods; Internet sites were created to promote local commerce; local merchants became their main suppliers; contact directories were compiled for business owners to get to know local merchants and their products; immediate payment of pending government invoices was authorised; credit facilities were given to micro-enterprises that, due to their characteristics, could not obtain bank loans or loans with low interest rates, and a deferral of payments was extended to MYPIMES (micro-, small and medium-sized enterprises). Financial resources were provided for businesses to

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47 Gobierno de la Ciudad de México. [Lineamientos de medidas de protección a la salud que deberán cumplir los servicios profesionales, científicos y técnicos directamente vinculados con las industrias que operan en el semáforo rojo y naranja para reanudar actividades hacia un regreso seguro a la nueva normalidad en la Ciudad de México](#), accessed on 20 September 2021.

48 Idem.

subsidise inactive workers so these could receive training and a cash income during this time. Most of these measures have been temporary.

- (3) Payroll tax exemptions. In the early months of the health crisis, some states (Jalisco, Yucatán, Aguascalientes, Puebla and Mexico State) waived payroll taxes in their entirety and later waived 50%. A period of grace was granted for the payment of utilities and fees, while legal action for the non-payment of monies owed to the state was suspended for a period of time.

These incentives were temporary and in force for 2020. They were gradually suspended until they were completely discontinued.

#### 4. Social Protection

In the area of social protection and social insurance, the Mexican federal government has repeatedly pushed for in-kind and cash benefits that already existed, but except for the case of health, there were no significant changes during the pandemic.

However, as seen in Table 1, state governments adopted measures, mainly through social programmes, to respond to the coronavirus crisis and to ensure the livelihoods that were financially threatened. Because such aid largely depends on financing possibilities, there is much disparity between one state and another.

##### a) Social Insurances

###### aa) Overview

Among the measures implemented by social insurances, there are several actions focused on health care, as well as income protection measures.

Undoubtedly, the most important of these was the pension reform that entered into force in January 2021. While not directly caused by the pandemic, it has allowed workers to retire with fewer years of contributions. The main contribution of the reform consists of reducing the contribution weeks from 1250 to 750 to be entitled to the benefits of old-age severance and old-age.

The required number of contribution weeks (750) will increase annually by 25 weeks until 2031 to reach 1000.

It should be clarified that if the worker's retirement savings are not enough to obtain a pension, the worker may opt for a guaranteed minimum pension, which corresponds to a minimum wage, on reaching at least 60 years of age and 750 contribution weeks.

As of 15 December 2021, the National Commission of the Retirement Savings System (CONSAR) reported that more than 27,000 workers have retired under the new pension scheme owing to the reduced number of contribution weeks, which is a considerable increase, considering that a total of 18,646 workers retired 2020.<sup>49</sup>

#### *bb) Temporary Social Insurance Measures*

- (1) Collaboration agreement between the Mexican government and the National Association of Private Hospitals and the Mexican Hospital Consortium, effective from 1 April 2020 to 30 September 2020, so that beneficiaries of the public health system (IMSS, ISSSTE, INSABI, PEMEX O ISSFAM)<sup>50</sup> could receive medical and hospital care in private hospitals, as long as the treatment was not related to illnesses caused by COVID-19.

The purpose of this measure was to ensure that public health institutions would give priority to the care of COVID-19 patients and prevent them from becoming overcrowded. During its effective period, a total of 17,728 beneficiaries were attended to through this agreement.<sup>51</sup>

- (2) National Housing Fund Institute Measures
  - Unemployment Insurance: Despite having been published in Bulletin No. 22 issued by the INFONAVIT,<sup>52</sup> this measure already

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49 Data provided in the first and second annual government reports of the current President of Mexico Andrés Manuel López Obrador, Presidencia de la República, [Informes de gobierno 2019/ 2020](#), accessed on 12 February 2022.

50 Mexican Social Security Institute (IMSS), State Employees' Social Security and Social Services Institute (ISSSTE), Health Institute for Well-Being (INSABI), Mexican Petroleum (PEMEX) or Social Security Institute for Military Forces in Mexico (ISSFAM).

51 Instituto Mexicano del Seguro Social, [El director general del IMSS sostiene reunión de trabajo con el Consorcio Mexicano de Hospitales para realizar un balance de los resultados obtenidos en el trabajo conjunto](#), IMSS, Mexico, 2021, accessed on 23 September 2021.

52 Instituto del Fondo Nacional de la Vivienda para los Trabajadores, [INFONAVIT, Sala de prensa](#), Mexico, 2020, accessed on 23 September 2021.

existed in the law<sup>53</sup> and consisted of covering 100% of the monthly mortgage payments for 12 two-week periods, i.e., six months or, if applicable, an interest-free extension for IMSS beneficiaries with current housing loans who lost their jobs. This was an important measure at the onset of the pandemic since most of the jobs in the country were lost during this period. Based on data provided by INFONAVIT, a total of 200,829 beneficiaries received this benefit from April to June 2020.<sup>54</sup>

- Payment tolerance: In an effort to provide support in cases of unemployment and wage reduction, this programme grants an extension in making payments for up to three months, during which time no interest is incurred, and the worker's balance is frozen. In this case, the payments are not covered, but deferred for collection at a later date. Requests for this measure were made on an individual basis unless a mandatory work lockout had been decreed. In this case, it is generally automatically activated. For those workers who, despite receiving this benefit, decided to make their payments, the advantage is that 100% of the payment would be credited to the capital of their debt.

cc) Measures Still in Effect

- (1) Recognition of COVID-19 as an occupational hazard.<sup>55</sup> This agreement enables workers who are diagnosed with COVID-19 when performing priority activities to process their temporary sick leave

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53 [Second paragraph of Article 41](#) of the Ley del Instituto del Fondo Nacional de la Vivienda para los Trabajadores, accessed on 26 October 2021. This article states, “When a worker has received a loan from the Institute, as of the date the worker ceases to receive salary income, the Institute shall grant the worker extensions in the monthly payments on principal and ordinary interest. In order to do so, the borrower must present a request to the Institute no later than one month the date of ceasing to receive said income. During these extensions, payments to the principal and ordinary interest generated will be capitalised to the unpaid balance of the loan. If the worker does not request the extension within 30 days, said extension shall not be authorised.” Author’s translation of Article 41 of the Ley del Instituto del Fondo Nacional de la Vivienda para los Trabajadores.

54 Instituto del Fondo Nacional de la Vivienda para los Trabajadores, [INFONAVIT, Soluciones para ti, Mexico](#), 2020, accessed on 23 September 2020.

55 Secretaría de Gobernación, Diario Oficial de la Federación, [DOF: 29/07/2020](#), Acuerdo ACDO.AS2.HCT.240620/173.P.DPES, dictado por el H. Consejo Técnico en sesión ordinaria el día 24 de junio de 2020, por el que se autorizan estrategias para prorrogar las prestaciones en especie y/o en dinero a los asegurados con incapacidad temporal para el trabajo que lleguen a término de ley y a los beneficiarios hijos incapacitados que cumplen 16 años, así como reconocimiento de la

before the IMSS, which allows them to justify absences from work during their recovery period. The measure would also guarantee economic benefits and benefits in kind for them and their beneficiaries under the classification of occupational risk and not only as a general illness. This measure undoubtedly guarantees social protection to workers who have had to work in person, taking into consideration that, as of 11 October 2021, 4,484 people lost their lives in direct relation to COVID-19.<sup>56</sup>

- (2) Lastly, a pre-existing measure that was widely publicised early in the pandemic is the Partial Unemployment Withdrawal.<sup>57</sup> This measure is a procedure by which workers can make a partial withdrawal of the amount accumulated in their individual retirement savings account in case of unemployment. This income protection measure led 1.7 million workers to withdraw from their Afore savings accounts during the pandemic. Between May 2020 and February 2021, withdrawals amounting to \$885.63 million USD were reported.<sup>58</sup>

Depending on the applicable modality, withdrawal amounts can equal:

- Modality A (for accounts open for less than three years and with two years of IMSS contributions): 30 days from their last Base Contribution Salary with a limit of 10 Units of Measurement and Actualisations (\$131.40 USD for 2021).
- Modality B (for accounts open longer than five years): The lesser of 90 days of the worker's Base Contribution Salary in the last 250 weeks or the number of weeks they may have and 11.5% of the resources accumulated in the Retirement, Severance at Old Age and Old Age sub-account.<sup>59</sup>

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enfermedad COVID-19 como riesgo de trabajo en trabajadores IMSS, durante el periodo de contingencia, accessed on 21 October 2021.

56 Secretaría de Salud, [Covid-19 México, Personal de Salud 11 de octubre de 2021](#), accessed on 21 October 2021.

57 [Article 191, Section II](#), of the Artículo 191 fracción II de la Ley de Seguro Social, accessed on 21 October 2021.

58 Carbajal, Braulio, “[Por la pandemia, 1.7 millones usaron ahorros de su Afore](#)”, La jornada, 15 de marzo de 2021, accessed on 28 October 2021.

59 Instituto Mexicano del Seguro Social, [Personas que perdieron su empleo durante emergencia sanitaria pueden tramitar Retiro Parcial por Desempleo: IMSS](#), IMSS, Mexico, 2020, accessed on 7 September 2021.

b) Social Programmes

As to the measures implemented by the Mexican state through social programmes, five aimed at protecting income, as well as health care, stand out.

- The Programme for the Well-Being of Older Adults grants a pension of \$124.63 USD every two months to persons 65 years of age or over in Mexico.<sup>60</sup> As of June 2021, a total of 8,352,010 beneficiaries have received this assistance.<sup>61</sup>
- The Benito Juarez Scholarship Programme grants scholarships to elementary, middle and high school students in the amount of \$39.1 USD a month. During the 2020-2021 school year, 10.4 million students have benefited from this programme.<sup>62</sup>
- The Youth Building the Future Programme links people between 18 and 29 years of age who do not study or work with companies, workshops, institutions or businesses where they can learn or strengthen work habits and technical skills to increase their employability possibilities in the future. While training, beneficiaries receive a monthly allowance of \$210.65 USD, as well as health insurance for illness, maternity and occupational risks. Since 2020 and up to June 2021, 704,428 young people were connected with and trained in 171,435 workplaces.<sup>63</sup>
- The INSABI Programme – by the Institute of Health for Welfare, which is currently in force, focused on healthcare and came into effect on 1 January 2020, to provide and guarantee free health services, medicine and other related supplies to the population without social security. It is estimated that 69 million people without social security have been attended to through this programme.

The four programmes presented actually existed before the pandemic and only two months of payments were to be made in advance for the older adult pensions, the Benito Juarez Scholarship Programme and the Youth

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60 Gobierno de México, [Pensión universal para personas adultas mayores](#), Bienestar, Mexico, 2021, accessed on 29 September 2021.

61 Gobierno de la República, [Tercer informe de gobierno](#), Gobierno de México, Mexico, 2021, p. 210, accessed on 29 September 2021.

62 Ibidem, p. 214.

63 Ibidem, p. 215.

Building the Future Programme.<sup>64</sup> These advances were repeated on two occasions during 2020, which helped the beneficiaries during the labour and economic complications that arose because of the pandemic.

### *c) State Social Protection for Families*

Programmes run by state governments that focused on mitigating the impact of COVID-19 on Mexican families can be classified as follows:

#### *aa) Measures for providing food*

At least 10 states<sup>65</sup> have implemented programmes designed to guarantee access to food through community kitchens or the delivery of essential staple food products.

The target population of these programmes are people in vulnerable situations, directly or indirectly affected by the health emergency, as well as the homeless, the unemployed, older adults and groups living in priority attention zones.

It should be said that these programmes were already being developed before the onset of the pandemic, which is why only the number of beneficiaries was expanded. These programmes are governed by the operational rules published in the official gazette of each state.<sup>66</sup> Lastly, in-kind support is provided on a permanent basis (like the community kitchens in the state of Baja California) while others indicate that food baskets will be delivered until the authorities declare the end of the health emergency or the allotted budget (e.g., the extraordinary food basket programme in Baja California Sur or the Food Assistance Programme in Yucatán).

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64 Gobierno de México, [Adultos mayores recibirán bimestre adelantado de pensión, anuncia presidente; programas sociales se fortalecerán ante COVID-19](#), Gobierno de México, Mexico, 2020, accessed on 7 September 2021.

65 Baja California, Baja California Sur, Chiapas, Guerrero, Morelos, Oaxaca, Puebla, Tabasco, Yucatán, Zacatecas, accessed on 15 February 2022.

66 For example: Periódico Oficial del Estado de Baja California, [Reglas de Operación para la ejecución del “programa extraordinario de despensas”](#), 30 de Abril de 2020, accessed on 7 September 2021 y Periódico oficial “Tierra y libertad”, Reglas de Operación del Programa de Apoyo Alimentario Básico Emergente, POTL, Mexico, 2020, accessed on 15 February 2022.

*bb) Payment extensions and subsidies for essential public services*

These actions centred on subsidising the cost of some public services for a certain amount or giving extensions for a limited time to pay utilities, specifically those related to the right of access to water and electricity.

In this area, two states stand out (Hidalgo and Yucatán).

For example, Hidalgo established a three-month extension on cut-off and reconnection charges for potable water services for all Hidalgo state residents. At the same time, all residents were provided with potable water whether they had a service contract or not.<sup>67</sup>

Meanwhile, Yucatán introduced a discount of up to 50% on electricity bills and implemented the State Plan to Boost the Economy, Employment and Health, which aims to protect the health of Yucatán residents and reduce the economic impact on individuals and businesses by offering a two-month extension (April-May 2020) on the payment of domestic potable water and garbage collection services.<sup>68</sup>

*5. Conclusions*

To conclude, it may be noted that Mexico had pre-existing economic problems that were aggravated by the epidemic.

On the one hand, it was observed that the health conditions and the context of poverty and labour informality have made managing the health and economic consequences of the pandemic more difficult. On the other hand, the government prioritised the continuation of its government plan that envisions “the Fourth Transformation”, so it continued with its works, considering them essential.

Despite the fact that resources of \$9.1 billion USD were assigned to the Ministry of Social Welfare<sup>69</sup> for social programmes and to continue with the aforementioned government projects, the federal government was

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67 Lineamientos de operación de “[acciones emergentes en apoyo a la economía familiar por la contingencia sanitaria](#)” en el Estado de Veracruz, accessed on 7 September 2021.

68 For example: Diario Oficial del Estado de Yucatán, [Decreto 200/2020 por el que se establece el Plan Estatal para Impulsar la Economía, los Empleos y la Salud](#), accessed on 15 February 2022.

69 Id Velázquez Marisol, El Economista, [Presupuesto 2021: Bienestar \(programas sociales, salud, adultos mayores\)](#), 8 de septiembre de 2020, accessed on 25 October 2021.

highly criticised, because – as this research shows – the measures driven by the assumption of community responsibility to repair the damage were minimal.

The legislative reforms are restricted to Article 330-A of the Federal Labour Law, which addresses the issue of teleworking and published guidelines, criteria, protocols and administrative measures.

State-level social programmes focused on providing support measures through social programmes, conditioned to their budgetary availability, which led to a disparity between the programmes, depending on each state's financial capability.

At the federal level, there were some measures consisting of advancing the payment of already existing social programmes and, as a new feature, only the *Crédito a la Palabra* for companies was implemented.

Tax exemptions mainly consisted of the extension granted by the SHCP for filing tax returns in 2020 and 2021.

In terms of health care, it can be reported that the good management of the pandemic that began with the signing of the Collaboration Agreement between the Mexican Government and the National Association of Private Hospitals, which along with the hiring of medical personnel and inoculation of the population, as well as the expansion and conversion of public hospitals to provide specialised COVID-19 care, prevented extreme cases of shortages or lack of attention to the general public, as has happened in other countries.

Based on the above, it can be concluded that social policy during the pandemic did not introduce any lasting changes but is simply reduced to temporary assistance measures that cannot reverse the negative effects on employment, the economy and social security. The long-term changes consisted in legislative amendments, like the 2021 pension reform (effective in 2021) or the annual increase of the minimum wage and the increased coverage and cash benefits of social programmes, which were not measures arising from the pandemic, but had already been planned. The pandemic merely contributed to further heightening the needs of the poorest populations in Mexico and thus, these measures were accepted, thereby ensuring the loyalty to the president of 55.7 million people living in poverty. This loyalty will most certainly be reflected in the 2022 poll for his ratification as president.